

**ARMSTRONG-RINGSTED COMMUNITY  
SCHOOL DISTRICT**

**Independent Auditor's Report  
Basic Financial Statements  
and Supplementary Information  
Schedule of Findings**

**June 30, 2004**

**DAVID A. MASKE**

Certified Public Accountant  
Spencer, Iowa

# ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

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# ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

## OFFICIALS

NAME	TITLE	TERM EXPIRES
<b>BOARD OF EDUCATION (Before September 2003 Election)</b>		
Greg Blumm	President	2005
Dale Anderson	Vice-President	2003
Lisa McConnell	Board Member	2003
Rick Steinberger	Board Member	2003
Anita Larsen	Board Member	2004

<b>BOARD OF EDUCATION (After September 2003 Election)</b>		
Greg Blumm	President	2005
Lisa McConnell	Vice-President	2005
Anita Larsen	Board Member	2004
Dale Anderson	Board Member	2006
Rick Steinberger	Board Member	2006

<b>SCHOOL OFFICIALS</b>		
Robert Raymer	Superintendent	2004
Debra Obbink	District Secretary/Treasurer	2004
Harold White Fitzgibbons Brothers	Attorney	Indefinite

# DAVID A. MASKE

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Spencer, IA 51301

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the  
Armstrong-Ringsted Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Armstrong-Ringsted Community School District, Armstrong, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

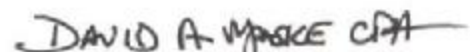
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Armstrong-Ringsted Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 12 to the financial statements, during the year ended June 30, 2004, Armstrong-Ringsted Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, I have also issued my reports dated November 3, 2004, on my consideration of Armstrong-Ringsted School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 5 and 26 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Armstrong-Ringsted Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the aforementioned statements taken as a whole.

  
DAVID A. MASKE  
Certified Public Accountant

November 3, 2004  
Spencer, Iowa

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Armstrong-Ringsted Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable with prior years. However, in future years, comparison will be more meaningful and will go further in explaining the District's financial position and results of operations.

## 2004 FINANCIAL HIGHLIGHTS

General Fund revenue increased from \$3,124,284 in fiscal 2003 to \$3,139,450 in fiscal 2004, while General fund expenditures decreased from \$3,168,709 to \$2,991,385 in fiscal year 2004. The District's General Fund balance decreased from \$676,909 in fiscal 2003 to \$824,974 in fiscal 2004.

## USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Armstrong-Ringsted Community School District as a whole and represent an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Armstrong-Ringsted Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Armstrong-Ringsted Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the financial statements.

Required supplementary information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The Government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of net Assets includes all of the District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- § Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- Business type activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

#### Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its more significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) Governmental Funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures, and changes in fund balances.

- 2) Proprietary funds: Services for which the district charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## **Governmental Activities**

For 2004, revenues for governmental activities were \$4,707,501 and expenses were \$5,882,668.

The cost of governmental activities was financed with \$2,168,354 in property and other taxes, and \$1,962,192 from state sources, and \$129,948 from federal sources.

## **Business Type Activities**

Revenues for business type activities were \$150,390 and expenses were \$156,763. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

## **INDIVIDUAL FUND ANALYSIS**

### **Governmental Fund Highlights**

- The General Fund balance increased from \$676,909 to \$824,974.
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased to \$178,658 in fiscal 2004 from \$135,290 in fiscal 2003.
- The Capital Projects Fund balance decreased from \$1,546,977 in 2003 to \$151,576 in 2004.
- The Management Fund balance increased from \$189,570 in 2003 to \$196,494 in 2004.
- The Debt Service Fund balance increased from \$-0- in 2003 to \$2,576 in 2004.

### **Proprietary Fund Highlights**

School Nutrition Fund net assets decreased from \$40,449 at June 30, 2003 to \$34,076 at June 30, 2004.

## **BUDGETARY HIGHLIGHTS**

The District's receipts were \$353,416 less than budgeted receipts, a variance of 6.8%.

Total expenditures were less than budgeted by \$970,385.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2004, the District had invested \$3.6 million, net of accumulated depreciation, in a broad range of capital assets including land, buildings, athletic facilities, computers, audio -visual equipment and transportation equipment. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$99,307. Capital additions were \$2,617,831.

### **Long-Term Debt**

At June 30, 2004, the district had \$1,565,000 outstanding in General Obligation Bonds.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact Deb Obbink, District Secretary / Treasurer.

## **BASIC FINANCIAL STATEMENTS**



**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT****STATEMENT OF NET ASSETS  
JUNE 30, 2004**

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b><u>ASSETS</u></b>			
Cash and Cash Equivalents:			
Other .....	\$1,403,952	\$ 7,209	\$1,411,161
Receivables:			
Property Tax:			
Delinquent.....	33,542	-0-	33,542
Succeeding Year.....	1,995,300	-0-	1,995,300
Accounts .....	27,742	35	27,777
Due from Other Governments .....	9,550	-0-	9,550
Inventories.....	-0-	11,253	11,253
Capital Assets, Net of Accumulated Depreciation .....	<u>3,615,455</u>	<u>15,579</u>	<u>3,631,034</u>
<b>TOTAL ASSETS</b>	<b><u>\$7,085,541</u></b>	<b><u>\$ 34,076</u></b>	<b><u>\$7,119,617</u></b>
<b><u>LIABILITIES</u></b>			
Accounts Payable .....	\$ 35,715	\$ -0-	\$ 35,715
Accrued Interest Payable .....	5,150	-0-	5,150
Deferred Revenue – Succeeding Year Property Tax.....	1,995,300	-0-	1,995,300
Long-Term Liabilities:			
Portion Due Within One Year:			
General Obligation Bonds Payable.....	55,000	-0-	55,000
Early Retirement .....	7,500	-0-	7,500
Compensated Absences.....	7,564	-0-	7,564
Portion Due After One Year:			
General Obligation Bonds Payable.....	<u>1,510,000</u>	<u>-0-</u>	<u>1,510,000</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$3,616,229</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$3,616,229</u></b>
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets, Net of Related Debt.....	\$2,050,455	\$ 15,579	\$2,066,034
Restricted for:			
Management Levy .....	196,494	-0-	196,494
Physical Plant and Equipment Levy.....	178,658	-0-	178,658
Other Special Revenue Purposes .....	84,793	-0-	84,793
Unrestricted.....	<u>958,912</u>	<u>18,497</u>	<u>977,409</u>
<b>TOTAL NET ASSETS</b>	<b><u>\$3,469,312</u></b>	<b><u>\$ 34,076</u></b>	<b><u>\$3,503,388</u></b>

See notes to financial statements.

## ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2004

	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	EXPENSES	CHARGES FOR SERVICE	OPERATING GRANTS, CONTRIBUTIONS & RESTRICTED INTEREST	CAPITAL GRANTS, CONTRIBUTIONS & RESTRICTED INTEREST	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTAL
<b>Functions / Programs:</b>							
Governmental Activities:							
Instruction:							
Regular Instruction .....	\$ 1,547,746	\$ 225,388	\$ 129,948	\$ -0-	\$ (1,192,410)	\$ -0-	\$ (1,192,410)
Special Instruction .....	303,839	-0-	-0-	-0-	(303,839)	-0-	(303,839)
Other Instruction .....	362,928	155,134	-0-	-0-	(207,794)	-0-	(207,794)
	<u>\$ 2,214,513</u>	<u>\$ 380,522</u>	<u>\$ 129,948</u>	<u>\$ -0-</u>	<u>\$ (1,704,043)</u>	<u>\$ -0-</u>	<u>\$ (1,704,043)</u>
Support Services:							
Student Services .....	\$ 50,953	\$ -0-	\$ -0-	\$ -0-	\$ (50,953)	\$ -0-	\$ (50,953)
Instructional Staff Services .....	57,982	-0-	-0-	-0-	(57,982)	-0-	(57,982)
Administration Services .....	351,532	-0-	-0-	-0-	(351,532)	-0-	(351,532)
Operation & Maintenance of Plant Services .....	309,614	-0-	-0-	-0-	(309,614)	-0-	(309,614)
Transportation Services .....	152,465	-0-	-0-	-0-	(152,465)	-0-	(152,465)
	<u>\$ 922,546</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (922,546)</u>	<u>\$ -0-</u>	<u>\$ (922,546)</u>
Non-Instructional Programs .....	<u>\$ 779</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (779)</u>	<u>\$ -0-</u>	<u>\$ (779)</u>
Other Expenditures:							
Facilities Acquisition .....	\$ -0-	\$ -0-	\$ -0-	\$ 925,000	\$ 925,000	\$ -0-	\$ 925,000
Long-Term Debt Interest .....	78,528	-0-	-0-	-0-	(78,528)	-0-	(78,528)
AEA Flowthrough .....	112,778	-0-	112,778	-0-	-0-	-0-	-0-
	<u>\$ 191,306</u>	<u>\$ -0-</u>	<u>\$ 112,778</u>	<u>\$ 925,000</u>	<u>\$ 846,472</u>	<u>\$ -0-</u>	<u>\$ 846,472</u>
Total Governmental Activities	\$ 3,329,144	\$ 380,522	\$ 242,726	\$ 925,000	\$ (1,780,896)	\$ -0-	\$ (1,780,896)
Business Type Activities:							
Non-Instructional Programs:							
Food Service Operations .....	156,763	77,099	73,291	-0-	-0-	(6,373)	(6,373)
<b>TOTAL</b>	<u>\$ 3,485,907</u>	<u>\$ 457,621</u>	<u>\$ 316,017</u>	<u>\$ 925,000</u>	<u>\$ (1,780,896)</u>	<u>\$ (6,373)</u>	<u>\$ (1,787,269)</u>
<b>General Revenue:</b>							
Property Tax Levied For:							
General Purpose .....					\$ 1,757,859	-0-	1,757,859
Debt Service .....					112,550	-0-	112,550
Capital Outlay .....					155,126	-0-	155,126
Local Option Sales and Service Tax .....					142,819	-0-	142,819
Unrestricted State Grants .....					924,414	-0-	924,414
Unrestricted Investment Earnings .....					24,865	-0-	24,865
Other .....					41,620	-0-	41,620
<b>TOTAL GENERAL REVENUES</b>					<u>\$ 3,159,253</u>	<u>\$ -0-</u>	<u>\$ 3,159,253</u>
Change in Net Assets					\$ 1,378,357	(6,373)	\$ 1,371,984
Net Assets – Beginning of Year, as Restated					2,090,955	40,449	2,131,404
Net Assets – End of Year					<u>\$ 3,469,312</u>	<u>\$ 34,076</u>	<u>\$ 3,503,388</u>

See notes to financial statements.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT****BALANCE SHEET  
GOVERNMENTAL FUNDS**

JUNE 30, 2004

	<b>GENERAL</b>	<b>DEBT SERVICE</b>	<b>CAPITAL PROJECTS</b>	<b>NONMAJOR SPECIAL REVENUE</b>	<b>TOTAL</b>
<b><u>ASSETS</u></b>					
Cash and Pooled Investments:					
Other.....	\$ 801,312	\$ 571	\$ 144,127	\$ 457,942	\$ 1,403,952
Receivables:					
Property Tax:					
Delinquent .....	27,358	2,005	-0-	4,179	33,542
Succeeding Year .....	1,660,000	113,000	-0-	222,300	1,995,300
Accounts .....	26,635	-0-	-0-	1,107	27,742
Due from Other Governments .....	<u>-0-</u>	<u>-0-</u>	<u>9,550</u>	<u>-0-</u>	<u>9,550</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,515,305</u></b>	<b><u>\$ 115,576</u></b>	<b><u>\$ 153,677</u></b>	<b><u>\$ 685,528</u></b>	<b><u>\$ 3,470,086</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
Liabilities:					
Accounts Payable.....	\$ 30,331	\$ -0-	\$ 2,101	\$ 3,283	\$ 35,715
Deferred Revenue:					
Succeeding Year Property Tax..	<u>1,660,000</u>	<u>113,000</u>	<u>-0-</u>	<u>222,300</u>	<u>1,995,300</u>
<b>TOTAL LIABILITIES</b>	<b>\$ 1,690,331</b>	<b>\$ 113,000</b>	<b>\$ 2,101</b>	<b>\$ 225,583</b>	<b>\$ 2,031,015</b>
Fund Balances:					
Reserved for Debt Service .....	\$ -0-	\$ 2,576	\$ -0-	\$ -0-	\$ 2,576
Unreserved.....	<u>824,974</u>	<u>-0-</u>	<u>151,576</u>	<u>459,945</u>	<u>1,436,495</u>
<b>TOTAL FUND BALANCES</b>	<b><u>\$ 824,974</u></b>	<b><u>\$ 2,576</u></b>	<b><u>\$ 151,576</u></b>	<b><u>\$ 459,945</u></b>	<b><u>\$ 1,439,071</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 2,515,305</u></b>	<b><u>\$ 115,576</u></b>	<b><u>\$ 153,677</u></b>	<b><u>\$ 685,528</u></b>	<b><u>\$ 3,470,086</u></b>

See notes to financial statements.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT**  
**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**

JUNE 30, 2004

Total Fund Balances of Governmental Funds (Page 8) ..... \$ 1,439,071

Amounts reported for governmental activities in the  
Statement of Net Assets are different because:

Capital Assets used in governmental activities are not  
financial resources and, therefore, are not reported as  
assets in the governmental funds ..... 3,615,455

Accrued interest payable on long-term liabilities is not due  
and payable in the current period and, therefore, is not  
reported as a liability in the governmental funds..... (5,150)

Long-term liabilities, including bonds and notes payable  
and compensated absences, are not due and payable in  
the current period and, therefore, are not reported in the  
funds ..... (1,580,064)

Net Assets of Governmental Activities (Page 7) ..... \$ 3,469,312

See notes to financial statements.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

YEAR ENDED JUNE 30, 2004

	<b>GENERAL</b>	<b>DEBT SERVICE</b>	<b>CAPITAL PROJECTS</b>	<b>NONMAJOR SPECIAL REVENUE</b>	<b>TOTAL</b>
<b>Revenues:</b>					
Local Sources:					
Local Tax .....	\$ 1,669,762	\$ 112,550	\$ 142,819	\$ 243,223	\$ 2,168,354
Tuition .....	225,388	-0-	-0-	-0-	225,388
Other .....	52,293	531	13,661	155,134	221,619
State Sources .....	1,062,059	-0-	900,000	133	1,962,192
Federal Sources .....	129,948	-0-	-0-	-0-	129,948
<b>TOTAL REVENUES</b>	<b>\$ 3,139,450</b>	<b>\$ 113,081</b>	<b>\$ 1,056,480</b>	<b>\$ 398,490</b>	<b>\$ 4,707,501</b>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular Instruction .....	\$ 1,521,156	\$ -0-	\$ -0-	\$ -0-	\$ 1,521,156
Special Instruction .....	303,839	-0-	-0-	-0-	303,839
Other Instruction .....	227,095	-0-	-0-	135,833	362,928
	<u>\$ 2,052,090</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 135,833</u>	<u>\$ 2,187,923</u>
Support Services:					
Student Services .....	\$ 50,953	\$ -0-	\$ -0-	\$ -0-	\$ 50,953
Instructional Staff Services ..	57,982	-0-	-0-	-0-	57,982
Administrative Services .....	327,441	-0-	-0-	81,224	408,665
Operation & Maintenance of Plant Services .....	244,612	-0-	-0-	-0-	244,612
Transportation Services .....	144,750	-0-	-0-	-0-	144,750
	<u>\$ 825,738</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 81,224</u>	<u>\$ 906,962</u>
Non-Instructional Programs ..	\$ 779	\$ -0-	\$ -0-	\$ -0-	\$ 779
Other Expenditures:					
Facilities Acquisition .....	\$ -0-	\$ -0-	\$ 2,448,858	\$ 111,840	\$ 2,560,698
Long-Term Debt:					
Principal .....	-0-	35,000	-0-	-0-	35,000
Interest and Fiscal Charges ..	-0-	78,528	-0-	-0-	78,528
AEA Flowthrough .....	112,778	-0-	-0-	-0-	112,778
	<u>\$ 112,778</u>	<u>\$ 113,528</u>	<u>\$ 2,448,858</u>	<u>\$ 111,840</u>	<u>\$ 2,787,004</u>
<b>TOTAL EXPENDITURES</b>	<b>\$ 2,991,385</b>	<b>\$ 113,528</b>	<b>\$ 2,448,858</b>	<b>\$ 328,897</b>	<b>\$ 5,882,668</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 148,065	\$ (447)	\$ (1,392,378)	\$ 69,593	\$ (1,175,167)
Other Financing Sources (Used):					
Operating Transfers In .....	\$ -0-	\$ 3,023	\$ -0-	\$ -0-	\$ 3,023
Operating Transfers Out .....	-0-	-0-	(3,023)	-0-	(3,023)
<b>TOTAL OTHER FINAN- CING SOURCES (USES)</b>	<b>\$ -0-</b>	<b>\$ 3,023</b>	<b>\$ (3,023)</b>	<b>\$ -0-</b>	<b>\$ -0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$ 148,065</b>	<b>\$ 2,576</b>	<b>\$ (1,395,401)</b>	<b>\$ 69,593</b>	<b>\$ (1,175,167)</b>
<b>FUND BALANCES – BEGINNING OF YEAR, as Restated (Note 12)</b>	<b>676,909</b>	<b>-0-</b>	<b>1,546,977</b>	<b>390,352</b>	<b>2,614,238</b>
<b>FUND BALANCES – END OF YEAR</b>	<b>\$ 824,974</b>	<b>\$ 2,576</b>	<b>\$ 151,576</b>	<b>\$ 459,945</b>	<b>\$ 1,439,071</b>

See notes to financial statements.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2004**

Net Change in Fund Balances - Total Governmental Funds (Page 10) ..... \$(1,175,167)

Amounts reported for governmental activities in the  
Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for Capital Assets .....	\$ 2,617,831	
Depreciation Expense .....	<u>(99,307)</u>	2,518,524

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Repaid .....	<u>35,000</u>
--------------	---------------

Change in Net Assets of Governmental Activities (Page 7) ..... \$ 1,378,357

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUND**

JUNE 30, 2004

	<b><u>School Nutrition</u></b>
<b><u>ASSETS</u></b>	
Cash and Cash Equivalents.....	\$ 7,209
Accounts Receivable .....	35
Inventories.....	11,253
Capital Assets, Net of Accumulated Depreciation .....	<u>15,579</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>34,076</u></b>
 <b><u>LIABILITIES</u></b>	
Accounts Payable .....	\$ <u>-0-</u>
 <b><u>NET ASSETS</u></b>	
Invested in Capital Assets, Net of Related Debt.....	\$ 15,579
Unrestricted.....	<u>18,497</u>
<b>TOTAL NET ASSETS</b>	<b>\$ <u><u>34,076</u></u></b>

See notes to financial statements.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
**YEAR ENDED JUNE 30, 2004**

	<u><b>School Nutrition</b></u>
Operating Revenues:	
Local Sources:	
Charges for Service .....	\$ 77,099
Operating Expenses:	
Non-Instructional Programs:	
Food Service Operations:	
Salaries .....	\$ 66,454
Benefits .....	9,022
Supplies .....	75,440
Depreciation .....	<u>5,847</u>
TOTAL OPERATING EXPENSES	\$ 156,763
OPERATING LOSS	\$ (79,664)
Non-Operating Revenues:	
State Sources .....	\$ 2,427
Federal Sources .....	70,815
Interest Income .....	<u>49</u>
TOTAL NON-OPERATING REVENUES	\$ 73,291
CHANGE IN NET ASSETS	\$ (6,373)
NET ASSETS – BEGINNING OF YEAR	<u>40,449</u>
NET ASSETS – END OF YEAR	<u>\$ 34,076</u>

See notes to financial statements.



# **ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT**

## **STATEMENT OF CASH FLOWS PROPRIETARY FUND**

**YEAR ENDED JUNE 30, 2004**

	<u><b>School Nutrition</b></u>
Cash Flows from Operating Activities:	
Cash Received from Sale of Lunches and Breakfasts .....	\$ 76,898
Cash Paid to Employees for Services .....	(75,476)
Cash Paid to Suppliers for Goods or Services .....	(64,077)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (62,655)</u>
Cash Flows from Non-Capital Financing Activities:	
State Grants Received.....	\$ 2,427
Federal Grants Received.....	60,964
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>\$ 63,391</u>
Cash Flows from Investing Activities:	
Interest on Investments .....	<u>\$ 49</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 785
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>6,424</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 7,209</u></u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss .....	\$ (79,664)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Commodities Used .....	9,851
Depreciation.....	5,847
Decrease in Inventories .....	1,110
Decrease in Accounts Receivable .....	201
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (62,655)</u></u>

### Non-Cash Investing, Capital and Financing Activities:

During the year ended June 30, 2004, the District received \$9,851 of federal commodities.

See notes to financial statements.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND**

JUNE 30, 2004

	<u><b>Expendable Trust 125</b></u>
 <u><b>ASSETS</b></u>	
Cash and Pooled Investments .....	\$ <u>2,101</u>
 <u><b>LIABILITIES</b></u>	
Liabilities .....	\$ <u>-0-</u>
 <u><b>NET ASSETS</b></u>	
Reserved for Trust .....	\$ <u>2,101</u>

See notes to financial statements.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND

YEAR ENDED JUNE 30, 2004

	<u>Expendable</u> <u>Trust 125</u>
Additions:	
Local Sources .....	\$ 24,316
Deductions:	
Other Instruction .....	<u>35,389</u>
CHANGES IN NET ASSETS	\$ (11,073)
NET ASSETS – BEGINNING OF YEAR	<u>13,174</u>
NET ASSETS – END OF YEAR	<u>\$ 2,101</u>

See notes to financial statements.

# ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2004

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Armstrong-Ringsted Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Armstrong and Ringsted, Iowa, and the predominate agricultural territory in the surrounding counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. REPORTING ENTITY

For financial reporting purposes, Armstrong-Ringsted Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. Armstrong-Ringsted Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

#### B. BASIS OF PRESENTATION

Government-Wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

**Invested in capital assets, net of related debt** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

**Restricted net assets** result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

**Unrestricted net assets** consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

# ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2004

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED:

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals

### C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

# ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2004

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

#### C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – CONTINUED:

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applied all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standard Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records of the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. ASSETS, LIABILITIES AND FUND EQUITY

The following accounting policies are followed in preparing the combined balance sheet:

Cash, Pooled Investments, and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental fund types is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property taxes receivable represents unpaid taxes from the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and the fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

# ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2004

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

#### D. ASSETS, LIABILITIES AND FUND EQUITY – CONTINUED:

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants, and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land .....	\$ 2,000
Buildings .....	10,000
Improvements Other Than Buildings .....	10,000
Furniture and Equipment:	
School Nutrition Fund Equipment .....	500
Other Furniture and Equipment .....	2,500

Capital Assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings .....	50 years
Improvements Other Than Buildings .....	20 years
Furniture and Equipment .....	5-15 years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

# ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2004

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED:

#### D. ASSETS, LIABILITIES AND FUND EQUITY – CONTINUED:

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. BUDGETS AND BUDGETARY ACCOUNTING

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### NOTE 2 - CASH AND POOLED INVESTMENTS:

The District's deposits in banks at June 30, 2004, were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies, and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

### NOTE 3 – DUE FROM AND DUE TO OTHER FUNDS:

There were no interfund receivables / payables.

### NOTE 4 – INTERFUND TRANSFERS:

The detail of interfund receivables and payables at June 30, 2004, is as follows:

Receivable Fund	Payable Fund	Amount
Debt Service	Capital Projects	\$ 3,023

### NOTE 5 - IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP):

The District did not participate in ISCAP for the year ended June 30, 2004.



# ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2004

### NOTE 6 – CAPITAL ASSETS:

Capital Assets activity for the year ended June 30, 2004, was as follows:

	BALANCE BEGINNING OF YEAR as Restated (Note 12)	INCREASES	DECREASES	BALANCE END OF YEAR
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land.....	\$ 20,000	\$ -0-	\$ -0-	\$ 20,000
Construction in Progress.....	<u>-0-</u>	<u>2,448,858</u>	<u>-0-</u>	<u>2,448,858</u>
Total Capital Assets Not Being Depreciated	\$ 20,000	\$ 2,448,858	\$ -0-	\$ 2,468,858
Capital Assets Being Depreciated:				
Buildings .....	\$ 2,894,589	\$ 57,444	\$ -0-	\$ 2,952,033
Furniture and Equipment.....	<u>486,022</u>	<u>111,529</u>	<u>-0-</u>	<u>597,551</u>
Total Capital Assets Being Depreciated	\$ 3,380,611	\$ 168,973	\$ -0-	\$ 3,549,584
LESS - Accumulated Depreciation For:				
Buildings .....	\$ 2,060,669	\$ 65,002	\$ -0-	\$ 2,125,671
Furniture and Equipment.....	<u>243,011</u>	<u>34,305</u>	<u>-0-</u>	<u>277,316</u>
Total Accumulated Depreciation	\$ 2,303,680	\$ 99,307	\$ -0-	\$ 2,402,987
Total Capital Assets Being Depreciated, Net	\$ 1,076,931	\$ 69,666	\$ -0-	\$ 1,146,597
Governmental Activities Capital Assets, Net	<u>\$ 1,096,931</u>	<u>\$ 2,518,524</u>	<u>\$ -0-</u>	<u>\$ 3,615,455</u>
	BALANCE BEGINNING OF YEAR	INCREASES	DECREASES	BALANCE END OF YEAR
<b>Business Type Activities:</b>				
Furniture and Equipment.....	\$ 57,660	\$ -0-	\$ -0-	\$ 57,660
LESS – Accumulated Depreciation .....	<u>36,234</u>	<u>5,847</u>	<u>-0-</u>	<u>42,081</u>
Business Type Activities Capital Assets, Net	<u>\$ 21,426</u>	<u>\$ 5,847</u>	<u>\$ -0-</u>	<u>\$ 15,579</u>

Depreciation expense was charged to the following functions:

<b>Governmental Activities:</b>	
Instruction:	
Regular .....	\$ 26,590
Support Services:	
Operation and Maintenance of Plant.....	65,002
Transportation.....	<u>7,715</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 99,307</u>
<b>Business Type Activities:</b>	
Food Service Operations.....	<u>\$ 5,847</u>

# ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2004

### NOTE 7 – LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2004, are summarized as follows:

	BALANCE BEGINNING OF YEAR	ADDITIONS	REDUCTIONS	BALANCE END OF YEAR	DUE WITHIN ONE YEAR
General Obligation Bonds .....	\$ 1,600,000	\$ -0-	\$ 35,000	\$ 1,565,000	\$ 55,000
Early Retirement .....	15,000	-0-	7,500	7,500	7,500
Compensated Absences .....	7,165	399	-0-	7,564	7,564
TOTAL	<u>\$ 1,622,165</u>	<u>\$ 399</u>	<u>\$ 42,500</u>	<u>\$ 1,580,064</u>	<u>\$ 70,064</u>

#### Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application which is subject to approval by the Board of Education. Early retirement incentives are equal to a cash payment based on the employee's annual salary and years of service. Early retirement expenditures for the year ended June 30, 2004, totaled \$7,500.

During the year ended June 30, 2003, the District issued \$1,600,000 of General Obligation Bonds. The bonds bear interest from 2.0% - 4.8%. Details of the bond's payments schedule follows:

YEAR ENDING JUNE 30	PRINCIPAL	INTEREST	TOTAL
2005	\$ 55,000	\$ 61,823	\$ 116,823
2006	60,000	60,723	120,723
2007	60,000	59,522	119,522
2008	65,000	57,722	122,722
2009	70,000	55,773	125,773
2010	70,000	53,673	123,673
2011	75,000	51,362	126,362
2012	80,000	48,737	128,737
2013	80,000	45,777	125,777
2014	85,000	42,658	127,658
2015	90,000	39,258	129,258
2016	95,000	35,567	130,567
2017	100,000	31,530	131,530
2018	105,000	27,130	132,130
2019	110,000	22,405	132,405
2020	115,000	17,345	132,345
2021	120,000	11,940	131,940
2022	<u>130,000</u>	<u>6,240</u>	<u>136,240</u>
Total	<u>\$ 1,565,000</u>	<u>\$ 729,185</u>	<u>\$ 2,294,185</u>

# ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2004

### NOTE 8 - PENSION AND RETIREMENT BENEFITS:

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003, and 2002. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002, were \$111,268, \$114,313, and \$118,032 respectively, equal to the required contributions for each year.

### NOTE 9 - RISK MANAGEMENT:

Armstrong-Ringsted Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### NOTE 10 - AREA EDUCATION AGENCY:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$112,778 for the year ended June 30, 2004, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

### NOTE 11 – CONSTRUCTION COMMITMENT:

The District has entered into contracts totaling \$2,575,457 for a new school and a remodeling project. As of June 30, 2004, costs of \$2,308,271 had been incurred against the contracts. The balance of \$267,186 remaining at June 30, 2004, will be paid as work on the project progresses.

### NOTE 12 – ACCOUNTING CHANGE AND RESTATEMENTS:

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences, were implemented for the year ending June 30, 2004. The statements create new basic financial statements reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

# ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS - CONTINUED

JUNE 30, 2004

### NOTE 12 – ACCOUNTING CHANGE AND RESTATEMENTS – CONTINUED:

The government-wide financial statements separate the District's program between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003, caused by the conversion to the accrual basis of accounting.

The effects of the accounting changes and other restatements in the governmental activities are summarized as follows:

	<u>FUND</u>				
	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	NONMAJOR SPECIAL REVENUE	TOTAL
Net Assets July 1, 2003, as Previously Reported.....	\$ 676,909	\$ -0-	\$ 1,546,977	\$ 390,352	\$ 2,614,238
GASB 34 Adjustments:					
Capital assets, net of accumulated depreciation .....					1,096,931
Long-Term Liabilities:					
Bonds and Notes.....				\$ 1,600,000	
Early Retirement .....				7,500	
Compensated Absences .....				7,564	(1,615,064)
Accrued Interest Payable .....					(5,150)
Net Assets – July 1, 2003, as Restated					<u>\$ 2,090,955</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT**

**BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND  
REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2004

	<b>GOVERNMENTAL FUNDS ACTUAL</b>	<b>PROPRIETARY FUND ACTUAL</b>	<b>TOTAL ACTUAL</b>	<b>BUDGETED AMOUNTS FINAL</b>	<b>FINAL TO ACTUAL VARIANCE</b>
<b>RECEIPTS:</b>					
Local Sources .....	\$ 2,628,061	\$ 76,947	\$ 2,705,008	\$ 2,825,661	\$ (120,653)
State Sources .....	1,962,192	2,427	1,964,619	2,207,908	(243,289)
Federal Sources .....	<u>129,948</u>	<u>60,964</u>	<u>190,912</u>	<u>180,386</u>	<u>10,526</u>
<b>TOTAL RECEIPTS</b>	<b>\$ 4,720,201</b>	<b>\$ 140,338</b>	<b>\$ 4,860,539</b>	<b>\$ 5,213,955</b>	<b>\$ (353,416)</b>
<b>DISBURSEMENTS:</b>					
Instruction .....	\$ 2,207,364	\$ -0-	\$ 2,207,364	\$ 2,569,000	\$ 361,636
Support Services .....	906,962	-0-	906,962	1,455,013	548,051
Non-Instructional Programs .....	779	139,553	140,332	175,000	34,668
Other Expenditures .....	<u>2,787,004</u>	<u>-0-</u>	<u>2,787,004</u>	<u>2,813,034</u>	<u>26,030</u>
<b>TOTAL DISBURSEMENTS</b>	<b>\$ 5,902,109</b>	<b>\$ 139,553</b>	<b>\$ 6,041,662</b>	<b>\$ 7,012,047</b>	<b>\$ 970,385</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>\$ (1,181,908)</b>	<b>\$ 785</b>	<b>\$ (1,181,123)</b>	<b>\$ (1,798,092)</b>	<b>\$ 616,969</b>
<b>BALANCES - BEGINNING OF YEAR</b>	<b><u>2,585,860</u></b>	<b><u>6,424</u></b>	<b><u>2,592,284</u></b>	<b><u>2,089,019</u></b>	<b><u>503,265</u></b>
<b>BALANCES - END OF YEAR</b>	<b>\$ <u>1,403,952</u></b>	<b>\$ <u>7,209</u></b>	<b>\$ <u>1,411,161</u></b>	<b>\$ <u>290,927</u></b>	<b>\$ <u>1,120,234</u></b>

See accompanying independent auditor's report.

# ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

## BUDGETARY COMPARISON SCHEDULE – BUDGET TO GAAP RECONCILIATION REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2004

	-----Governmental Funds-----		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues .....	\$ 4,720,201	\$ (12,700)	\$ 4,707,501
Expenditures.....	<u>5,902,109</u>	<u>(19,441)</u>	<u>5,882,668</u>
Net.....	\$ (1,181,908)	\$ 6,741	\$ (1,175,167)
BEGINNING FUND BALANCES	<u>2,585,860</u>	<u>28,378</u>	<u>2,614,238</u>
ENDING FUND BALANCES	<u>\$ 1,403,952</u>	<u>\$ 35,119</u>	<u>\$ 1,439,071</u>

	-----Proprietary Fund Enterprise-----		
	Cash Basis	Accrual Adjust- ments	Accrual Basis
Revenues .....	\$ 140,338	\$ 10,052	\$ 150,390
Expenses.....	<u>139,553</u>	<u>17,210</u>	<u>156,763</u>
Net.....	\$ 785	\$ (7,158)	\$ (6,373)
BEGINNING NET ASSETS	<u>6,424</u>	<u>34,025</u>	<u>40,449</u>
ENDING NET ASSETS	<u>\$ 7,209</u>	<u>\$ 26,867</u>	<u>\$ 34,076</u>

See accompanying independent auditor's report.

## **ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING**

**YEAR ENDED JUNE 30, 2004**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.



## **OTHER SUPPLEMENTARY INFORMATION**

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT****COMBINING BALANCE SHEET  
NON-MAJOR SPECIAL REVENUE FUNDS**

JUNE 30, 2004

	<b>MANAGE- MENT LEVY</b>	<b>STUDENT ACTIVITY</b>	<b>PHYSICAL PLANT AND EQUIPMENT LEVY</b>	<b>TOTAL</b>
<b><u>ASSETS</u></b>				
Cash and Pooled Investments .....	\$ 196,331	\$ 86,925	\$ 174,686	\$ 457,942
Receivables:				
Property Tax:				
Delinquent .....	207	-0-	3,972	4,179
Succeeding Year .....	88,000	-0-	134,300	222,300
Accounts .....	<u>-0-</u>	<u>1,107</u>	<u>-0-</u>	<u>1,107</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 284,538</u></b>	<b><u>\$ 88,032</u></b>	<b><u>\$ 312,958</u></b>	<b><u>\$ 685,528</u></b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>				
Liabilities:				
Accounts Payable .....	\$ 44	\$ 3,239	\$ -0-	\$ 3,283
Deferred Revenue:				
Succeeding Year Property Tax .....	<u>88,000</u>	<u>-0-</u>	<u>134,300</u>	<u>222,300</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$ 88,044</u></b>	<b><u>\$ 3,239</u></b>	<b><u>\$ 134,300</u></b>	<b><u>\$ 225,583</u></b>
Fund Equity:				
Unreserved Fund Balances .....	<u>\$ 196,494</u>	<u>\$ 84,793</u>	<u>\$ 178,658</u>	<u>\$ 459,945</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 284,538</u></b>	<b><u>\$ 88,032</u></b>	<b><u>\$ 312,958</u></b>	<b><u>\$ 685,528</u></b>

See accompanying independent auditor's report.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR SPECIAL REVENUE FUNDS**

YEAR ENDED JUNE 30, 2004

	MANAGE- MENT LEVY	STUDENT ACTIVITY	PHYSICAL PLANT AND EQUIPMENT LEVY	TOTAL
Revenues:				
Local Sources:				
Local Tax .....	\$ 88,097	\$ -0-	\$ 155,126	\$ 243,223
Other .....	-0-	155,134	-0-	155,134
State Sources .....	<u>51</u>	<u>-0-</u>	<u>82</u>	<u>133</u>
 TOTAL REVENUES	 <u>\$ 88,148</u>	 <u>\$ 155,134</u>	 <u>\$ 155,208</u>	 <u>\$ 398,490</u>
Expenditures:				
Current:				
Instruction:				
Other Instruction .....	\$ -0-	\$ 135,833	\$ -0-	\$ 135,833
Support Services:				
Administration Services .....	81,224	-0-	-0-	81,224
Other Expenditures:				
Facilities Acquisition.....	<u>-0-</u>	<u>-0-</u>	<u>111,840</u>	<u>111,840</u>
 TOTAL EXPENDITURES	 <u>\$ 81,224</u>	 <u>\$ 135,833</u>	 <u>\$ 111,840</u>	 <u>\$ 328,897</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	 \$ 6,924	 \$ 19,301	 \$ 43,368	 \$ 69,593
FUND BALANCES – BEGINNING OF YEAR, as Restated	 <u>189,570</u>	 <u>65,492</u>	 <u>135,290</u>	 <u>390,352</u>
FUND BALANCES – END OF YEAR	 <u>\$ 196,494</u>	 <u>\$ 84,793</u>	 <u>\$ 178,658</u>	 <u>\$ 459,945</u>

See Accompanying Independent Auditor's Report.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT****SCHEDULE OF CHANGES IN SPECIAL REVENUE FUNDS  
STUDENT ACTIVITY ACCOUNTS**

YEAR ENDED JUNE 30, 2004

<b>ACCOUNT</b>	<b>BALANCE BEGINNING OF YEAR</b>	<b>REVENUES</b>	<b>EXPEND- ITURES</b>	<b>BALANCE END OF YEAR</b>
Foreign Language Club .....	\$ 291	\$ 20,303	\$ 20,304	\$ 290
Interest.....	2,495	1,197	-0-	3,692
High School – Student Council.....	(173)	498	240	85
Class of 2007.....	-0-	1,694	558	1,136
Class of 2006.....	469	9,194	4,388	5,275
Class of 2005.....	3,890	5,215	5,416	3,689
Class of 2004.....	8,355	11,752	9,994	10,113
Class of 2003.....	6,816	-0-	6,816	-0-
Athletics .....	2,748	59,304	53,437	8,615
Art Club.....	274	-0-	-0-	274
Drama Club .....	(754)	603	745	(896)
Student Educational .....	95	-0-	-0-	95
Jr / Sr High – Student Needs .....	1,324	17,168	16,809	1,683
Vocal.....	495	3,371	2,068	1,798
Music Fund Raising .....	14,029	2,041	-0-	16,070
Instrumental .....	3,161	1,161	571	3,751
Honor Society .....	663	218	196	685
Petty Cash .....	240	-0-	-0-	240
Community Ed / Recreation.....	3,839	240	496	3,583
Book Fair – Title I .....	436	30	-0-	466
Library Book Fair .....	576	932	1,412	96
Elementary – Student Needs.....	1,448	2,730	2,013	2,165
Middle School – Student Council.....	2,847	335	483	2,699
F.C.C.L.A.....	1,013	972	797	1,188
F.F.A.....	2,683	11,052	9,090	4,645
Technology Funds (POP) .....	8,232	5,124	-0-	13,356
<b>TOTAL</b>	<b>\$ 65,492</b>	<b>\$ 155,134</b>	<b>\$ 135,833</b>	<b>\$ 84,793</b>

See accompanying independent auditor's report.

**ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT****SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUNDS**

YEARS ENDED JUNE 30,

	..... MODIFIED ACCRUAL BASIS .....			
	2004	2003	2002	2001
Revenues:				
Local Sources:				
Local Tax: .....	\$ 2,168,354	\$ 2,155,361	\$ 1,932,151	\$ 1,800,370
Tuition .....	225,388	177,070	219,298	180,054
Other .....	221,619	252,402	316,693	311,446
State Sources .....	1,962,192	1,102,784	1,273,600	1,496,131
Federal Sources .....	<u>129,948</u>	<u>60,594</u>	<u>82,092</u>	<u>79,588</u>
TOTAL	<u>\$ 4,707,501</u>	<u>\$ 3,748,211</u>	<u>\$ 3,823,834</u>	<u>\$ 3,867,589</u>
Expenditures				
Instruction:				
Regular Instruction .....	\$ 1,521,156	\$ 1,527,229	\$ 1,606,916	\$ 1,446,434
Special Instruction .....	303,839	263,458	270,963	256,810
Other Instruction .....	362,928	413,502	429,476	507,142
Support Services:				
Student Services .....	50,953	63,044	99,787	94,805
Instructional Staff Services .....	57,982	61,861	114,204	111,427
Administration Services .....	408,665	329,835	317,864	307,491
Operation & Maintenance of Plant Services .....	244,612	340,633	307,368	446,824
Transportation Services .....	144,750	229,499	186,032	239,436
Central Support Services .....	-0-	1,072	-0-	-0-
Non-Instructional Programs .....	779	-0-	-0-	89
Other Expenditures:				
Facilities Acquisition .....	2,560,698	411,609	176,792	228,362
Long-Term Debt:				
Principal .....	35,000	-0-	-0-	-0-
Interest and Other Charges .....	78,528	-0-	-0-	-0-
AEA Flowthrough .....	<u>112,778</u>	<u>120,525</u>	<u>122,824</u>	<u>130,068</u>
TOTAL	<u>\$ 5,882,668</u>	<u>\$ 3,762,267</u>	<u>\$ 3,632,226</u>	<u>\$ 3,768,888</u>

See accompanying independent auditor's report.

**DAVID A. MASKE**  
**Certified Public Accountant**

110 West 4<sup>th</sup> Street, Suite # 205  
P.O. Box 1297  
Spencer, IA 51301

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(fax) 712/262-6089

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

To the Board of Education  
Armstrong-Ringsted Community School District  
Armstrong, Iowa

I have audited the financial statements of Armstrong-Ringsted Community School District, as of and for the year ended June 30, 2004, and have issued my report thereon dated November 3, 2004. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Armstrong-Ringsted Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Armstrong-Ringsted Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable conditions described above, I believe item 04-I-A is a material weakness. Prior year reportable conditions have all been resolved except for item 04-I-A.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Armstrong-Ringsted Community School District and other parties to whom Armstrong-Ringsted Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the Armstrong-Ringsted Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

  
**DAVID A. MASKE**  
Certified Public Accountant

November 3, 2004  
Spencer, Iowa

# ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

## SCHEDULE OF FINDINGS YEAR ENDED JUNE 30, 2004

### PART I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

#### INSTANCES OF NON-COMPLIANCE:

No matters were reported.

#### REPORTABLE CONDITIONS:

- 04-I-A Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual handles most of the financial duties, including recording and reconciling accounts.

RECOMMENDATION - I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

RESPONSE - We will continue our review our procedures and implement additional controls where possible.

CONCLUSION - Response accepted.

### PART II - OTHER FINDINGS RELATED TO STATUTORY REPORTING:

- 04-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.
- 04-II-B Certified Budget - Disbursements for the year ended June 30, 2004, did not exceed the certified budget amounts.
- 04-II-C Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979, were noted.
- 04-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 04-II-E Business Transactions - No business transactions between the District and District officials or employees were noted.
- 04-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

## ARMSTRONG-RINGSTED COMMUNITY SCHOOL DISTRICT

### SCHEDULE OF FINDINGS YEAR ENDED JUNE 30, 2004

- 04-II-G     Board Minutes - No transactions were found that I believe should have been approved in the Board minutes but were not.
- 04-II-H     Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- 04-II-I     Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policies were noted.
- 04-II-J     Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely, and I noted no significant deficiencies in the amounts reported.